

Downtown  
Seattle  
Association

# DEVELOPMENT GUIDE

2018 year-end update





Credit: Populous

A rendering of the future Seattle Center Arena.

## Introduction

Continued investment levels show high confidence in the local economy. Since the start of the current boom in 2010, Seattle has grown at an unprecedented rate and downtown is home to the largest share of the city's growth.

New towers are transforming Seattle's skyline and raising the city's international profile. Apartment buildings are leading the way. Downtown added a record number of new units in the past few years, much of that in the South Lake Union and Denny Triangle neighborhoods. Developers are delivering new office space and hotel rooms at record rates. With dozens of projects underway, this construction boom is contributing to a vibrant and dynamic economy.

*The Downtown Seattle Association publishes two development guides each year to measure construction activity taking place downtown. The first, published each February, is an annual summary of development activity for the previous calendar year. A mid-year*

*update is published in summer. Our development database has tracked comparable data since 2005. An explanation of criteria used in this analysis and a glossary of terms are included at the end of this document.*

## Key Findings

- Downtown once again saw a record amount of investment, topping \$4.8 billion in construction projects at the end of 2018, compared with \$4.3 billion at the end of 2017.
- Residential development dominates the downtown construction pipeline. More than two-thirds of projects under construction include a residential component — mostly apartments.
- The amount of office space under construction at the end of 2018 was a record 6.4 million square feet.
- With the completion of the Hyatt Regency Seattle, developers finished a record 2,102 hotel rooms in 2018.

**For more information, please email [info@downtownseattle.org](mailto:info@downtownseattle.org) or call 206-623-0340.**





Credit: City of Seattle and James Corner Field Operations

*A rendering of the future Overlook Walk connecting the Pike Place Market to Seattle's new waterfront.*

# Development Activity Overview

## Downtown Seattle construction boom continues

Downtown construction represents tremendous value to the city and the region. There is nearly \$13.5 billion in new development in the downtown construction pipeline. This includes \$4.8 billion actively under construction, which is the highest year-end total on record.<sup>1</sup>

Since 2010, downtown represented nearly half (49 percent) of the declared value on construction permits issued in the city. Downtown's share has been on the rise. In 2010, it represented less than a third of the declared value of construction (29 percent). At its highest (in 2017), downtown's share was 58 percent.

These investments continue to reflect optimism and confidence in the future of the downtown economy.

1. Comparable tracking began in 2005. Figures are in 2018 dollars. Construction cost does not include land or soft costs such as permitting and design work.



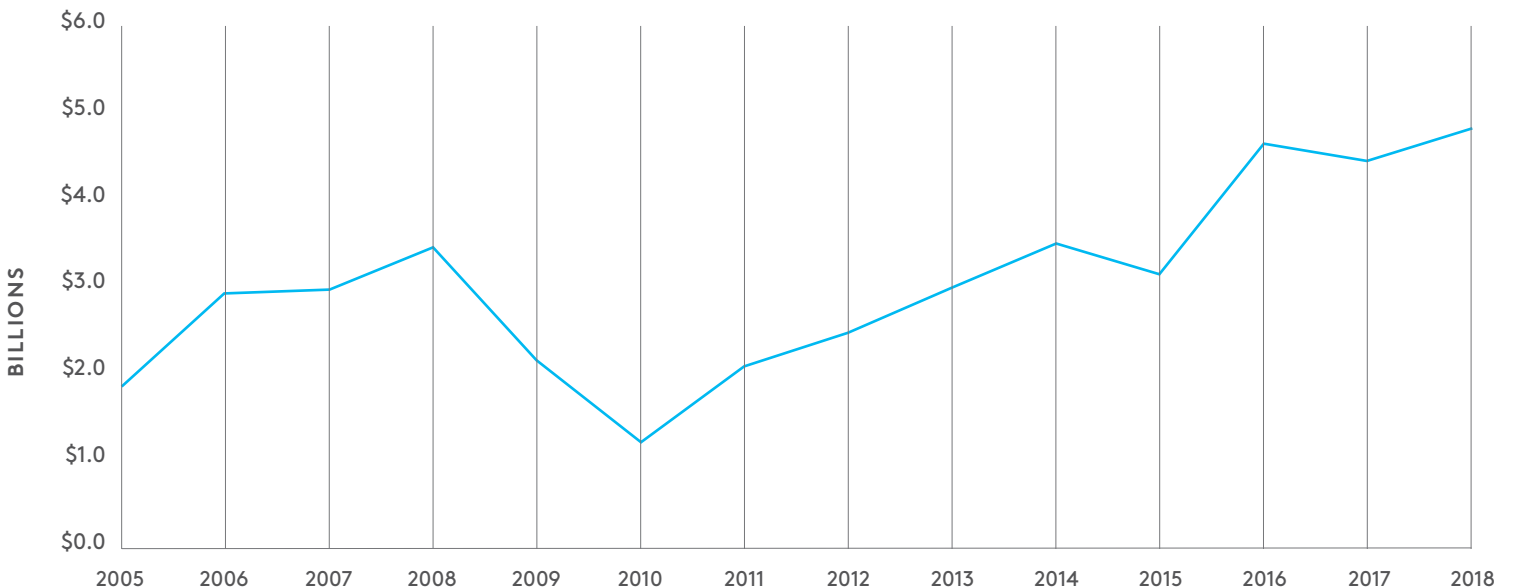
During the current economic upturn (since 2010), downtown has represented half the value of construction permits issued relative to the city.



Current construction represents the highest level of investment as measured by construction costs. The number of projects under construction at year-end in 2018 (66) is also close to the previous high of 68 two years prior.

## Levels of Investment in Downtown Building Construction

For projects currently under construction, year-end figures (adjusted for inflation)





Credit: Hotel Theodore

Downtown Seattle has 227 projects currently in the pipeline—nearly as many as were completed in the previous eight years.

Of the 227 projects working their way through the pipeline, 66 are under construction, 14 are in demolition, shoring and excavation phases, and 18 have land-use permits issued.<sup>2</sup> Another 129 are in various stages of predevelopment. While the number of projects in the pipeline is a record, this is a typical mix compared to previous years, with two-thirds in the predevelopment phase.

In the next two years (2019-2020), 68 projects are scheduled for completion. Another 86 are scheduled for 2021, and 73 for 2022 and beyond. With the majority of those in predevelopment, many project timelines may still change. Even if half of those scheduled are cancelled or delayed, downtown will experience construction activity above its historic average through at least 2021.

### Number of Projects by Status

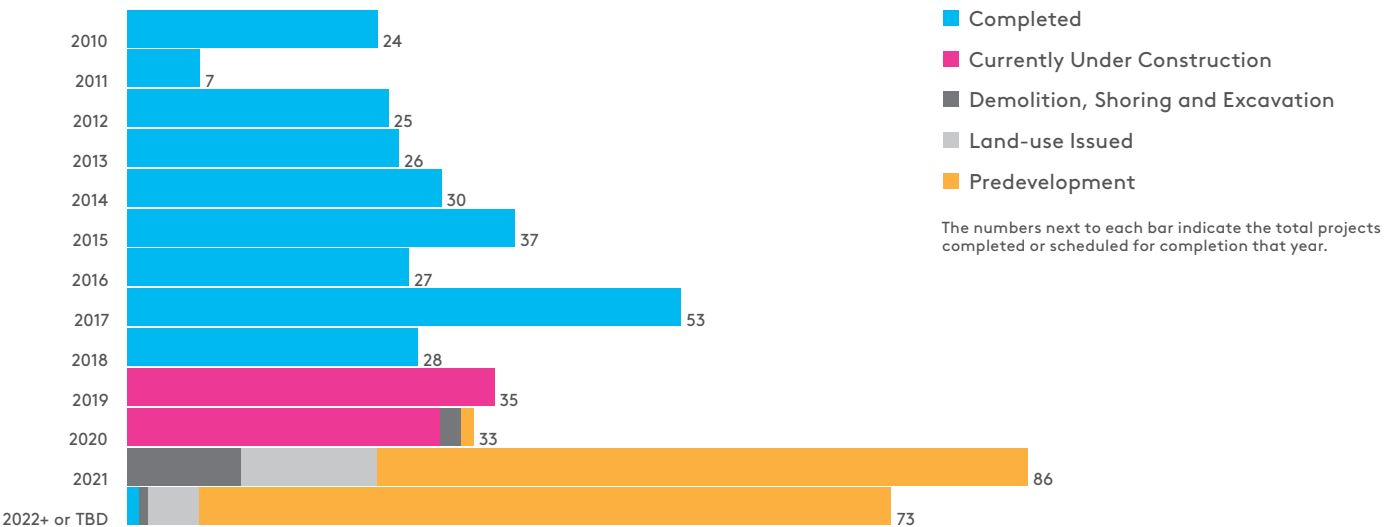
As of December 2018

Currently Under Construction	66
Demolition, Shoring and Excavation	14
Land-use Issued	18
Predevelopment	129
<b>Total Pipeline</b>	<b>227</b>

2. "Pipeline" includes those under construction, in demolition, shoring and excavation, with land-use permits issued or in predevelopment.

### Buildings by Current Status and Completion Year

For those with announced completion dates





# Downtown's residential capacity continues to grow

In 2018, developers completed 3,780 residential units in downtown Seattle. This represents the most of any year except 2017, when developers completed 5,723 units. Nearly 33,000 units are in the pipeline, including more than 9,000 scheduled for delivery in the next two years. The number of residential units in the development pipeline is more than double historic averages.

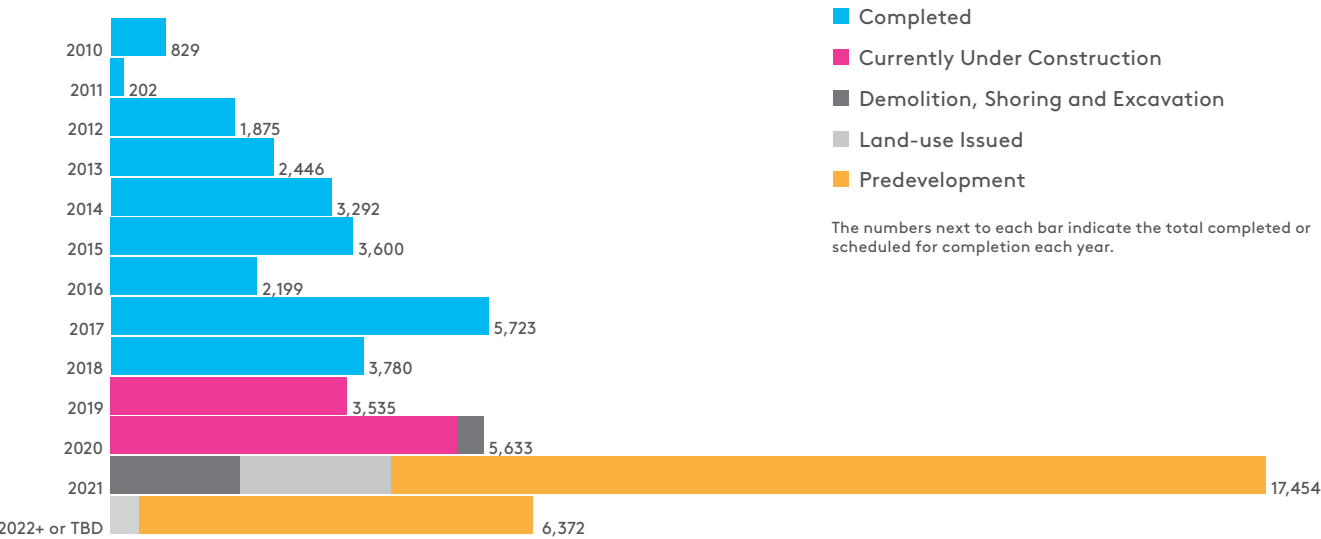
Despite recent news reports about high vacancy rates in Seattle, demand remains strong relative to supply. It typically takes at least a year for new construction to lease up. When new construction is not included in vacancy calculations, vacancy rates have remained relatively steady over the past two decades, near 6 percent in the city of Seattle. In fact, at the end of 2018, Seattle apartment vacancy was at it's lowest on record at just over 4 percent.<sup>3</sup>

3. Source: CoStar



## Residential Units by Current Status and Completion Year

For those with announced completion dates





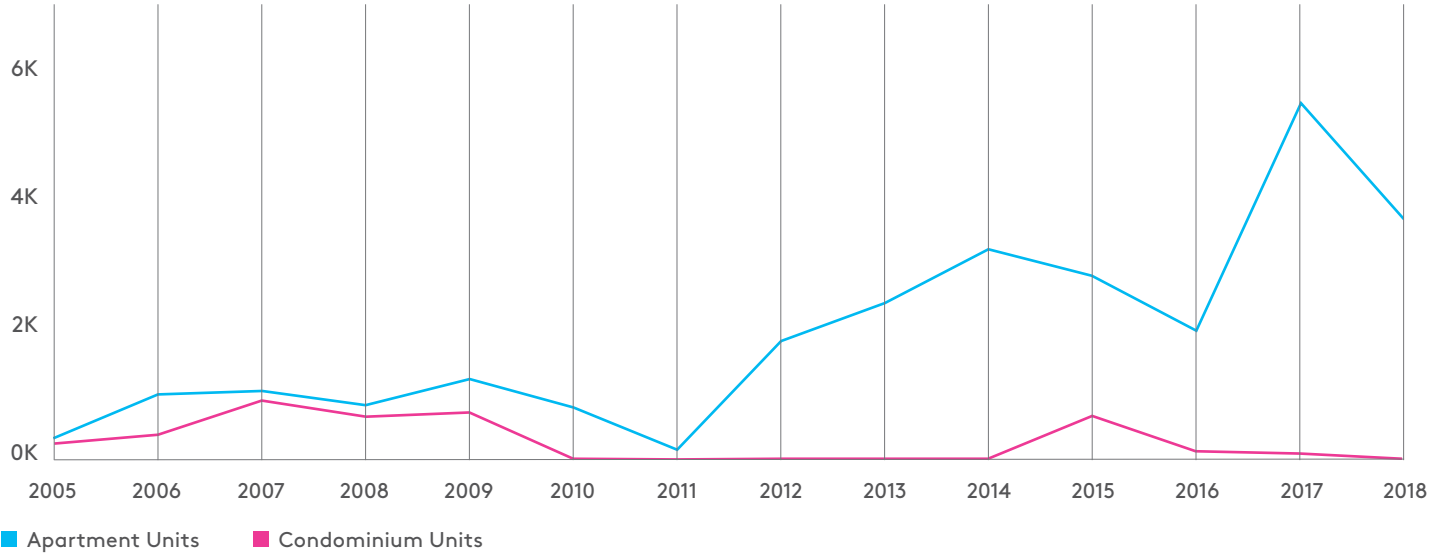


*A new mixed-income and mixed-use co-development by Gerding Edlen and Capitol Hill Housing above the Capitol Hill Light Rail Station.*

## Number of Residential Units by Type and Status

	Apartment Units	Condominium Units	Unknown Unit Types	Total
Currently Under Construction	7,648	1,000	80	8,728
Demolition, Shoring and Excavation	2,154	287	0	2,441
Land-use Issued	1,327	12	1,373	2,712
Predevelopment	14,734	2,006	2,373	19,113
<b>Total</b>	<b>25,863</b>	<b>3,305</b>	<b>3,826</b>	<b>32,994</b>

## Residential Units Completed in 2018



About two-thirds of all buildings under development downtown contain a residential component. Apartments make up the majority – 91 percent – of that inventory. Apartments represented all of the residential unit completions in 2018 and 96 percent of all units completed since 2010. Downtown condo development has seen a slight uptick. There are 1,000 units under construction, 287 in demolition, shoring and excavation phases, and another 2,018 in land-use or predevelopment phases. Condos only make up 9 percent of residential development downtown.

### Why are there so few new condos?

While there has been an uptick in condo construction in response to pent up demand, barriers to condo construction remain. This is particularly true for lower-priced entry-level condo units. Due to the high cost of construction in Seattle, coupled with legal risks discouraging condo development, new condominium units tend to be offered at a higher price. This is a factor in the high cost of home ownership compared to renting.

**In 2018, Seattle ranked number one in the U.S. for multifamily construction spending per capita.<sup>4</sup>**

4. <https://www.apartmentlist.com/rentonomics/increasing-importance-multifamily-construction/>







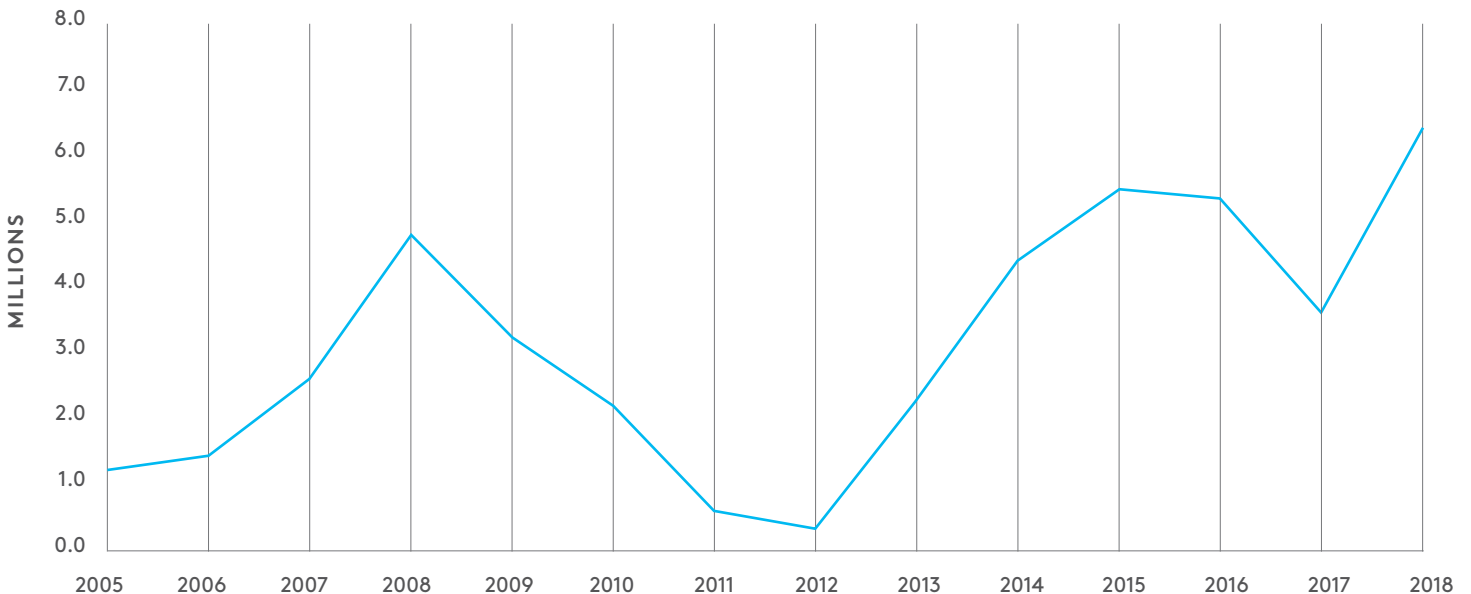
## Office development continues at a strong pace, outperforming downtowns nationally

In 2018, downtown employment exceeded 300,000 jobs for the first time on record.<sup>5</sup> Since 2010, downtown's workforce has been growing at an average annual rate of nearly 11,000 per year. Currently, more than 70 million square feet of office space supports this growing workforce.

While downtown saw the completion of just 500,000 square feet of office space in 2018, another 6.4 million is under construction. This is the highest amount of construction on record and 34 percent higher than the previous peak in 2008.

From 2010 to 2018, downtown Seattle represented 70 percent of the net increase in office space in the entire Puget Sound Region.<sup>6</sup>

### Office Square Footage Under Construction Mid-year



5. Source: PSRC  
6. Source: CoStar



# Office Square Footage by Current Status (2018)

Currently Under Construction	6,431,092
Demolition, Shoring and Excavation	1,108,000
Land-use Issued	496,000
Predevelopment	6,763,368
Total	14,798,460

Including inventory currently under construction, there is nearly 15 million square feet of office space in the pipeline. This is equivalent to 21 percent of the current downtown office inventory. It is also equal to the net amount of office space added to the entire region since 2010. More than 6.4 million square feet of this is scheduled for completion in the next two years.

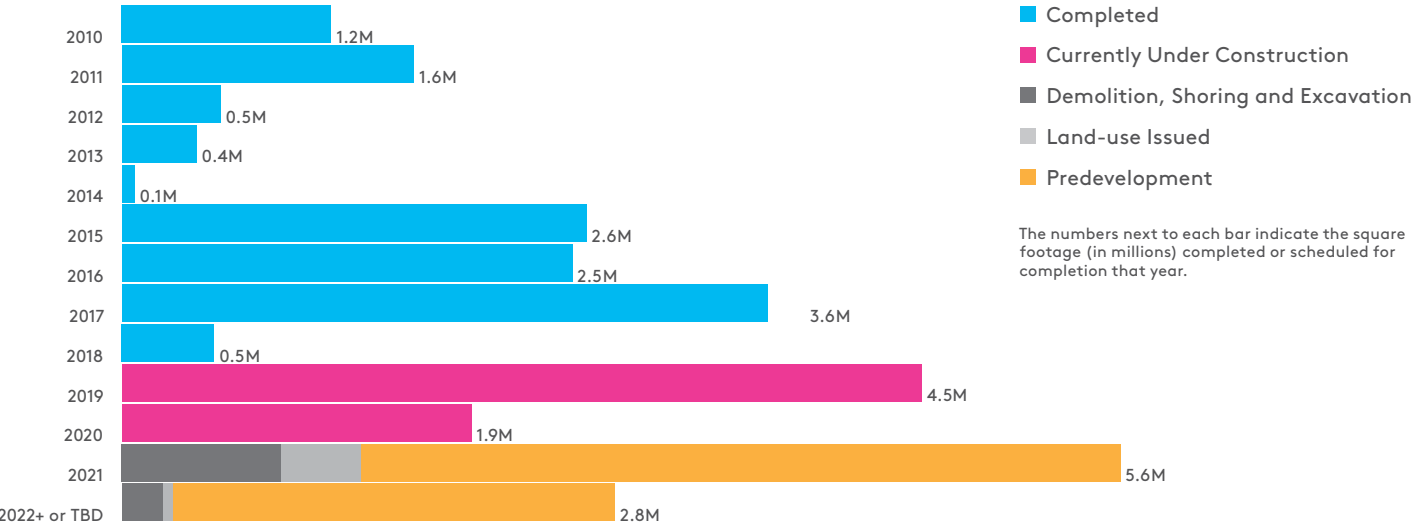


From 2010 to 2018, developers completed more than 13 million square feet of office space downtown.<sup>7</sup>

7. Based on inventory data from CoStar.com, the net increase (after demolitions) was 11 million square feet.

# Office Square Footage by Status and Completion Year in Millions

For those with announced completion dates





# A record number of new hotel rooms

With more than 16,000 rooms, downtown has the most hotel capacity in the city.

Demand for downtown Seattle hotel rooms remains high. With Seattle’s growing tourism industry, this trend should continue. Downtown Seattle already has among the highest hotel occupancy rates in the nation and the Washington State Convention Center Addition, which expands convention capacity, will increase hotel demand. The current level of hotel development came after a period of calm. Hotel development ground to a halt in 2011 and no new hotels were added until 2014. Now, with room demand and occupancy among the highest in the nation, hotel developers are racing to make up ground.

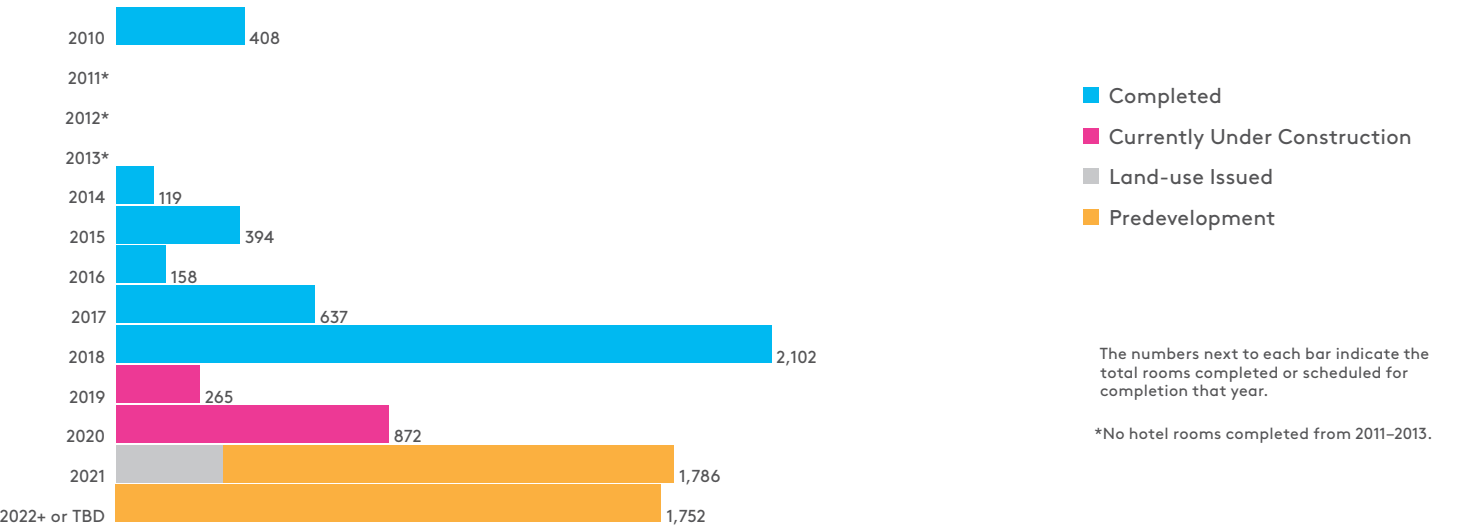


A record 2,102 new rooms were added downtown in 2018. With the completion of the Hyatt Regency Seattle’s 1,260 rooms, hotel development is expected to slow down in 2019. There are 4,675 rooms in the development pipeline, including 1,137 currently under construction. The number of hotel rooms in the current pipeline is nearly double the average since 2005.

At the end of 2018, downtown welcomed the completion of the largest hotel in the Pacific Northwest.

## Hotel Rooms by Completion Year

For those with announced completion dates





# An unprecedented development cycle for Seattle

Nearly half (46 percent) of apartments and a fifth (20 percent) of office space downtown has been built since 2010.<sup>8</sup>

## From 2010 to 2018 downtown welcomed:

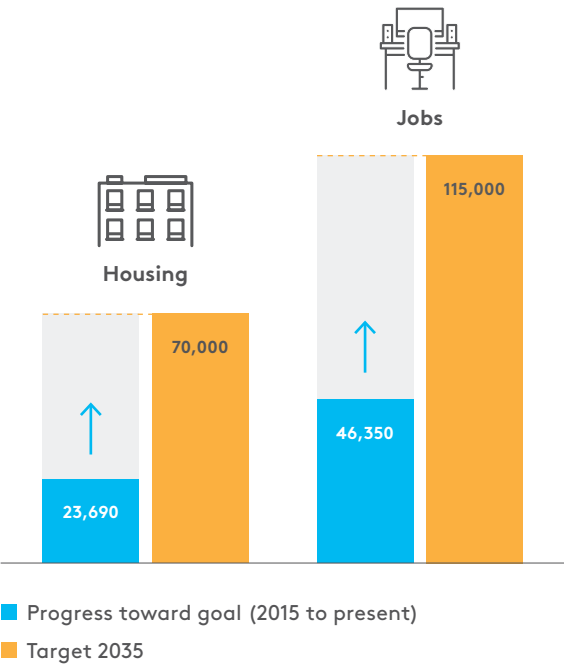
- 252 new buildings – the equivalent of adding three Microsoft campuses to downtown.
- 3,818 hotel rooms – increasing downtown hotel inventory by about a third.
- 13+ million square feet of office – more than the entire square footage of downtown Bellevue
- 24,000 residential units – about the same number of units that the entire city of San Francisco added in that time.
- \$11B in private development – the equivalent of buying 9.5 million ipads.

From 2010 to 2018, downtown’s residential population increased 38 percent. This compares to 14 percent outside of downtown. Employment increased 39 percent in downtown. In Seattle neighborhoods outside of downtown, it increased 17 percent.

## Where Do We Grow From Here?

With so much activity since 2010, downtown has a shortage of viable development sites left for a future growth cycle. In 2014, a City of Seattle report examined parcel data to determine development capacity citywide. The city set targets of adding 70,000 housing units and 115,000 jobs by 2035.<sup>9</sup> Seattle will exceed these targets ahead of schedule in the next 5-10 years. These targets carry forward an imbalance of housing and jobs in Seattle requiring policy interventions to reset the city’s zoning capacity assumptions also rely on parcels unlikely to see redevelopment soon – putting pressure on the limited capacity of available sites given existing zoning.<sup>10</sup> This leaves downtown with only a few viable sites for the next development cycle.

## Housing Units and Jobs (Citywide)



Since 2015, the number of households in Seattle has grown at twice the rate, and the number of jobs at four times the rate compared to growth planned for in long-range forecasts.

## Growth per Year (Citywide)

	Housing Units	Jobs
Actual 2015–present	7,897	23,175
Annual average needed to achieve 2035 growth target	3,500	5,750

8. Based on data from the King County Assessor (residential) and CoStar (office).  
9. City of Seattle 2035 Development Capacity Report (September 2014).  
10. Some zoning has changed since the report was published.



# Conclusion

---

Developers continue to show confidence in the downtown economy, with nearly \$13.5 billion in new development working through the pipeline. Since 2010, downtown Seattle has been experiencing a remarkable period of growth. At the end of 2018 there was \$4.8 billion under construction, the highest year-end total on record. The 227 projects in the pipeline are nearly as many as were completed in the previous eight years. Nearly half the residential units and a fifth of the office space downtown was created since 2010.

Development in the city and region is concentrated in downtown Seattle. About half the construction in the city from 2010 to 2018 was downtown, based on the declared value on construction permits. For office development, downtown represented 70 percent of the net growth in space for the region. More than half of all residential development in Seattle was in the urban villages that make up greater downtown Seattle.<sup>11</sup> Already the hub of hospitality for the city and region, a record number of hotel rooms were added downtown in 2018.

While the city experienced incredible growth this decade, Seattle limits production of housing through zoning. As a result, it is concentrated in urban villages, especially downtown. Single-family zones, making up about 75 percent of Seattle's residential land, accommodated for 5 percent of the new housing added since 2010.<sup>12</sup> While downtown zoning allows for the highest concentration of development, most of the center city's land is already developed or accounted for by upcoming projects. Without an increase in zoning capacity in our city, the scarcity and cost of

developable land will continue to be a major factor in the rising cost of housing and will limit unit production. A reexamination of city zoning may be necessary to accommodate further growth, stabilize the cost of living and ease economic pressures on small business.

With half of all private development concentrated downtown, it is also more important than ever to make investments in public spaces and amenities. Improvements such as light rail, an integrated transportation network (including safe spaces for cyclists and pedestrians), and a downtown school are all necessary. With residential density growing four times as fast and employment density growing more than 10 times as fast as the rates citywide, downtown needs the amenities and infrastructure to support these communities.

11. City of Seattle Urban Center / Village Growth Report through 1st Quarter 2018. <http://www.seattle.gov/housing/data-and-reports>. Please note that "urban village" boundaries do not precisely match DSA's downtown neighborhood definitions (see "Notes on Criteria" at the end of this report). The "greater downtown" boundary extends west of Broadway and does not include SoDo.

12. Balk, Gene. (2018, December 3). Seattle's housing crunch could be eased by changes to single-family zoning, city report says. The Seattle Times. Retrieved from <https://www.seattletimes.com>

## Status of Downtown Development Projects

As of December 2018

BY PROJECT CATEGORY	Completed <i>in 2018</i>	Currently Under Construction	Demolition, Shoring and Excavation	Land-use Issued	Predevelopment	Total
Hotel	4	5	0	1	9	19
Hotel/Office	1	0	0	0	0	1
Hotel/Residential	0	1	0	2	15	18
Mixed Use/ Residential*	0	2	0	0	1	3
Office	4	9	3	2	17	35
Office/ Residential	0	4	0	1	5	10
Residential	17	37	9	10	74	147
Other	2	8	2	2	8	22

\*Mixed-use includes residential along with at least two other major use types (e.g., hotel, office, retail).

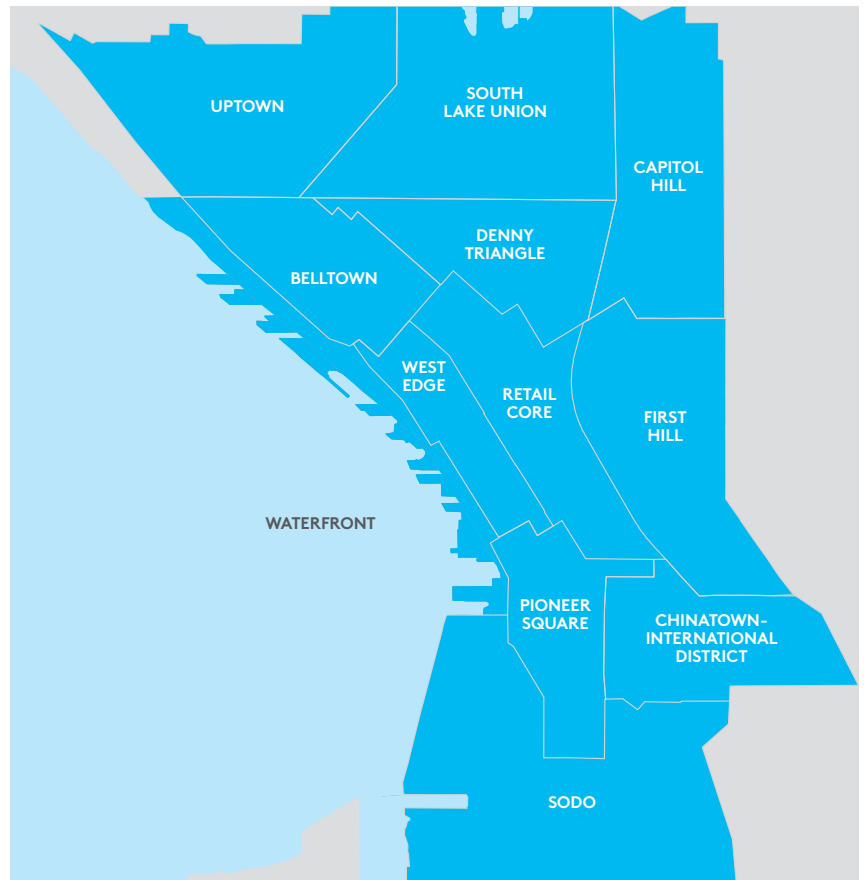
BY SPACE USAGE	Completed <i>in 2018</i>	Currently Under Construction	Demolition, Shoring and Excavation	Land-use Issued	Predevelopment	Total
Apartment Units	3,780	7,648	2,154	1,327	14,734	29,643
Condo Units	0	1,000	287	12	2,006	3,305
Residential Units (unknown type)	0	80	0	1,373	2,373	3,826
Hotel Rooms	2,102	1,137	0	341	3,197	6,777
Office (sq. ft.)	496,640	6,431,092	1,108,000	496,000	6,763,368	15,295,100
Biotech/Medical (sq. ft.)	164,000	420,000	0	0	1,115,509	1,699,509
Retail (sq. ft.)*	174,764	487,009	111,446	46,268	1,118,601	1,938,088

\*Most retail is a component of other project types (e.g. residential, office).



## Notes on Criteria

Included in this report are downtown Seattle projects with structural components that have construction costs of \$1 million or more (occasional exceptions to this criteria are made for some high-profile projects). Transportation projects are only included if they involve a building structure. Infrastructure such as rail and roads are not included. Parks and significant building renovations are included. The geography used for this analysis is the area within downtown Seattle. The Downtown Seattle Association uses the following boundaries for downtown: South Lake Union to the north to South Lander Street to the south; Elliott Bay to the west and Broadway to the east.



## Definitions of Development Project Status

### Predevelopment

Project has no land-use or construction permits issued related to a planned new building construction.

### Land-use Issued

Project has land-use permits issued but not building construction permits.

### Demolition, Shoring and Excavation

Project has construction permits issued related to demolition or shoring and excavation to prepare for construction of a new building.

### Currently Under Construction

Project has building construction permits issued and passed preconstruction and first ground disturbance inspections.

### Completed

Final inspections related to the building permits are completed.

Permit activity determines project status. Note that the criteria changed in 2016 to allow for a more refined examination of projects by status. In order to ensure accurate reporting, please contact DSA before comparing this report's numbers to reports from previous years.